

Message Text

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ACTION L-03

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 5345

C O N F I D E N T I A L CARACAS 12616

E.O. 11652: GDS

TAGS: PINS, ASEC EINV VE

SUBJECT: OWENS-ILLINOIS CASE: CONVERSATION WITH PRESIDENT

1. IN A CONVERSATION OCT 23 WITH PREISDENT I RAISED THE OWENS-ILLINOIS CASE. I SAID THAT I WAS CONCERNED THAT IF AN EXPROPRIATION BILL WERE PRESENTED TO THE CONGRESS EVERYONE WOULD GET LOCKED IN AND THE SITUATION WOULD PRESENT A GREAT MANY COMPLICATED PROBLEMS ABOUT EXPROPRIATION, COMPENSATION, LEGAL PRINCIPLE AND THE LIKE. FOR THAT REASON I WOULD HOPE THAT BOTH SIDES COULD CONTINUE THE ARBITRATION PROCESS TO SEE IF SOME RESOLUTION COULD BE WORKED OUT.

2. THE PRESIDENT SAID HE AGREED BUT THAT THE GOVERNMENT FELT CAUGHT IN A "PINCERS" (TENAZA). ON THE ONE HAND, THE COMPANY SEEMED TO BE STALLING ON PUTTING THE ARBITRATION PROCEDURE IN EFFECT. ON THE OTHER, THERE ARE PUBLIC DECLARATIONS THAT HAVE BEEN STIMULATED ALLEGING THAT THE GLASS INDUSTRY AND THE GLASS MARKET ARE IN TROUBLE BECAUSE OF THE GOV DECISION TO BUY OUT O-I. (PRESUMABLY THE REFERENCE IS TO THE EVENTS DESCRIBED IN CARACAS 12482)
THE GOV DOES NOT WANT TO BE UNFAIR, HE SAID, AND WOULD PREFER TO NEGOTIATE SOMETHING, BUT IT WAS PREPARED TO ASK FOR EXPROPRIATION LEGISLATION IF NECESSARY.

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3. GIVEN THE ORIGINAL CIRCUMSTANCES, THE PRESIDENT SAID, THERE WAS

NO ALTERNATIVE TO O-I'S DEPARTURE. THERE WAS NOW NO FEASIBLE ALTERNATIVE TO A BUY-OUT. PERHAPS, O-I MIGHT BE ALLOWED TO INVEST IN SOME FIELD OTHER THAN GLASS. THAT WOULD HAVE TO BE DISCUSSED. (HE WAS ALMOST Musing AT THIS POINT).

4. I SAID THAT I HOPED NO DECISION WOULD BE MADE TO RESORT TO LEGISLATION UNTIL FURTHER EFFORTS WERE MADE TO FIND A NEGOTIATING FORMULA WITH THE COMPANY. I NOTED THAT COLEMAN WAS COMING NEXT WEEK TO TALK TO O LAURIA. THE PRESIDENT SAID I COULD ASSURE THE COMPANY THAT HE HAS NO WISH TO BE ARBITRARY OR UNFAIR, BUT PROGRESS HAD TO BE MADE. PERHAPS, HE SAID, WE COULD IMPRESS THIS UPON THE COMPANY.

5. COMMENT: IT SEEMS CLEAR TO ME FROM THIS CONVERSATION AND THAT WITH LAURIA (CARACAS 12339) THAT THE GOV BELIEVES THAT THE COMPANY HAS BEEN STALLING; THAT THE GOV DOES NOT WANT TO DRAG THE MATTER OUT AS THE COMPANY (AND WE) HAD EARLIER THOUGHT MIGHT HAVE BEEN THE CASE; AND THAT THE GOV BELIEVES IT MUST SHOW SOME MOTION IN RESOLVING THIS ISSUE. WHAT THE GOV APPARENTLY HAS PERCEIVED AS BACKING AND FILLING ON THE THIRD ARBITRATOR HAS, IT SEEMS, AGAIN IRRITATED LAURIA, WHO (AS REPORTED IN CARACAS 12602) IS READY TO GO TO THE PRESIDENT AGAIN ON THE EXPROPRIATION ROUTE. PERHAPS MY CONVERSATION WILL DELAY THAT DECISION (THAT WAS ITS INTENT), BUT IT WILL BE DELAYED ONLY IF THE GOV SEES SOMETHING IT THINKS IS PROGRESS IN GETTING THE ARBITRATION PROCESS STARTED.

6. I AM REINFORCED IN MY BELIEF THAT A STRATEGY OF PLAYING FOR TIME IN THE HOPE SOMETHING WILL HAPPEN MAY NOW BE THE WRONG ONE. IF PURSUED IT RISKS CREATING BAD FEELINGS, BELIEF OF BAD FAITH ON BOTH SIDES AND MAY WELL LEAD TO A CONFRONTATION ON EXPROPRIATION. IT MAY BE THAT THE COMPANY IS PREPARED TO LET IT GO TO A CONFRONTATION. BUT I THINK THAT WOULD BE UNFORTUNATE SINCE IT WOULD RAISE ALL KINDS OF OBVIOUS PROBLEMS AND CONSEQUENCES IN US-VENEZUELAN RELATIONS, AS WELL AS LIMIT EVERYBODY'S MANEUVERABILITY.

7. I INTEND TO DISCUSS THESE THOUGHTS WITH COLEMAN. THE DEPARTMENT MAY ALSO WISH TO CONSIDER IMPRESSING UPON THE COMPANY THIS READING AND SUGGESTING IT SEEK TO PUT THE ARBITRATION PROCESS CONFIDENTIAL

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IN MOTION.
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